

HUMAN RESOURCES INTERVENTION IMPACT ON BADAN PEMERIKSA KEUANGAN AUDITORS' MOTIVATION

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Abstract - Bureaucracy reform that happens in BPK is intended to create high performing government. However, BPK still have issues on HR management system, especially on performance appraisal process or MAKIN. MAKIN in BPK hasn't been a base for compensation for an employee and hasn't adopted the best practice. Good organizational performance comes from the auditors' positive behavior. The behavior can be built by improving motivation, enhancing ability, and conquer environmental obstacle. This research will focus on improving employee motivation and try to apply HR interventions as a solution. The research shows that performance appraisal, coaching and mentoring, management and leadership development, reward system, and career planning and development interventions which have 40.96%, 6.45%, 4.43%, 2.30%, and 1.84% effect on auditors' motivation. Therefore the solutions' implementation are policy formulation for performance appraisal process improvements, career development based on performance appraisal, compensation and promotion based on performance appraisal, and improvements for employee participatory in organizational goal setting; develop IT database system for MAKIN; create training for performance appraisal raters; career counseling program; and coaching and mentoring program.

Keywords: organizational effectiveness, bureaucracy reform, performance appraisal, motivation

1. Introduction

Indonesia multi-dimension crisis in 1998 had forced Indonesia Government change drastically. Since then, major and significant changes had been done in political, law, economic and bureaucracy aspects in Indonesia. The basic changes in Indonesia were marked by the amendments of UUD 1945. Badan Pemeriksa Keuangan (BPK) as external audit institution and one of the High Institution in Indonesia got impact from the amendments. The development of BPK in five years term (2011 – 2015) focused on the development of BPK's role in fulfilling transparent and accountable state financial management which support Indonesia's objective. The development of the BPK's role was aligning with the Accountability Organization Maturity Model that developed by US Government Accountability Office (GAO). The BPK's role development was formulated in functions as stated in Figure 1.



Figure 1. BPK Role Development

Source: Appendix from BPK-RI Decree No. 3/K/I-XIII.2/5/2011 dated 15 May 2011 (p. 2)

As BPK tries to fulfill the change that mandated by UUD 1945, the Government of Indonesia (GOI) initiated bureaucracy reform that intended to manifest good governance in scope of institution. BPK was one of the institutions that become the pilot project. The bureaucracy reform objectives are embodying clean and free corruption government, improving public service quality to the citizen, and improving capacity and also accountability bureaucracy performance. Until 2012, BPK still awarded as one of the best institution in reforming its bureaucracy along with KPK and Ministry of Finance.

The changes that BPK faced had forced it to make a certain plan, especially in HR issue. In BPK Secretary General Decree No. 456/K/X-XIII.2/12/2009 dated 14/12/2009 BPK realized that the important factor as professional institution is their employees, especially the competency that their employees possess (2009: 2). However, in the organizational development implementation process, BPK still have issues on HR management system, especially on performance appraisal process or Individual Performance Management (MAKIN). MAKIN in BPK had been established since two years ago. Until today, the performance appraisal hasn't been a base for compensation for an employee. Another issue that BPK faced is the performance appraisal itself has not adopted the best practice performance appraisal. If those issues are ignored, it could affect the organization effectiveness, especially the organization performance in the future.

At the moment, BPK focused on auditors as their first priorities in implementing the HR Management System. BPK put the auditors as their key success factor to the organization. Making auditors as their "A Position", according to Huselid, M. A., et.al, BPK should have make performance as primary determinant of the compensation (2005: 4). In fact, BPK at this time consider auditors' compensation according to their job levels, which should be applied for "B Position" or the supporting function (Huselid, M. A., et.al, 2005: 4). So the questions is performance management system can influence the auditors' motivation, and what other variables that motivates BPK auditors. And after that how BPK can improve their auditors' motivation.

2. Business Issue Exploration

a. Conceptual Framework

Each year, BPK has measured their organization effectiveness through several key performance indicators. The KPI that included in the organizational effectiveness shows that BPK has managed to exceed their targets on Percentage of Audit Recommendations that Being Followed Up and Percentage of Fraud Report that Being Followed Up by Law Enforcement Institutions indicators. However, there are four indicators that BPK fail to fulfill their targets completely, they are Stakeholder Satisfaction Index on BPK RI Audit, The Amount of Published Audit Report, The Amount of Published Audit Performance Report, and Punctuality on Audit Process and Reporting Process (BPK, 2013: 43 – 60). This condition means that BPK hasn't completely being an effective organization.

Cummings and Worley (2009: 99) identify the components of organization effectiveness are organization performance which in nonprofit organization refers to cost saving or in budget, productivity which refers to internal efficiency, and stakeholder satisfaction which refers to how well the organization meets the expectancy of the stakeholders (employees, citizen, or government). Performance also can be defined as the positive behavior from the employee (Milkovich, et.al, 2011: 285).

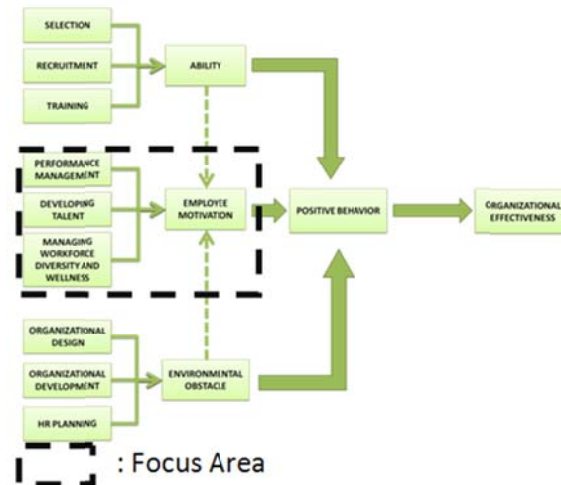


Figure 2. Conceptual Framework

Milkovich, et al. (2011: 286) stated that the intended positive employee behavior is a function of motivation, ability, and environment. Motivation mainly affected by compensation, performance management, and culture. Ability is born from the recruitment, selection and training processes. Environmental obstacle depends on organizational design, organizational development and HR Planning. It is also implied that the three triangles have possibilities to affect each other.

In BPK case, the bureaucracy reform that intended to make BPK a better and effective institution referring to the Organizational Development (OD) approach according to the characteristic that Ian Palmer, et al. described, which are *"it is planned, the top of organization is committed to the change process, it aims at improving the effectiveness of the organization, it is long-term, it is action oriented"* (Beckhard, 1969: 9 – 19)" (2009: 193 – 194). In implementing OD, BPK should design what Cummings and Worley called effective interventions (2009: 152) in order to succeed in achieving higher performance.

Based on the explanations above, the conceptual frameworks in Figures 2 illustrates on how the model that developed by Milkovich can build positive behavior so that the organizational effectiveness state (performance) can be achieved. The main idea of this conceptual framework is how HR interventions can affect employee motivation and construct positive behavior which can influence the organizational effectiveness. However, this final project will only focus on how the HR interventions could affect employee motivation, in this case the BPK auditor.

According to Cummings and Worley (2009: 159 – 160), HR Intervention consist of 3 (three) concern area, they are performance management, developing talent and managing workforce diversity and wellness. The performance management consists of several programs, which are goal setting performance appraisal and reward system. The talent development consists of coaching and mentoring program, career planning and development, and also management and leadership. The

last concern, managing workforce diversity and wellness consist of management of workforce diversity and employee stress and wellness program.

The theories of motivation that can be applied to BPK are expectancy, equity, and goal setting theory. The expectancy theory was developed by Victor H. Vroom, then later expanded and refined by Porter, Lawler, and others. Vroom put a definition on motivation that refers to:

Product of three factors: how much one wants a reward (valence), one's estimate of the probability that effort will result in successful performance (expectancy), and one's estimate that performance will result in receiving the reward (instrumentality) (Newstrom, 2011: 124 – 125).

John Stacey Adams put his equity theory forward in 1963. Central to comprehending Adams' equity theory of motivation is an understanding of the individual-organization exchange relationship. John Stacey Adams states that:

Employees tend to judge fairness by comparing the outcomes (rewards) they receive with their relevant inputs (contributions) and also by comparing this ratio with the ratios of other people (Newstrom, 2011: 129).

Newstrom (2011: 122) suggested that “goal setting works as a motivational process because it creates discrepancy between current and expected performance”. The employee will feel an urge to complete the goals. In order to be effective, goal setting must consist of several elements. Newstrom (2011: 123) suggested three elements, which are goal acceptance, specificity, and challenge.

b. Methodology

The methodology framework for this final project is shown in Figure 3. The first activity is problem formulation that intended to identify the root cause of the problem that occurs in this final project institution. The techniques that will be used are interview with the institution representative, secondary data collection, and Five Whys analysis.

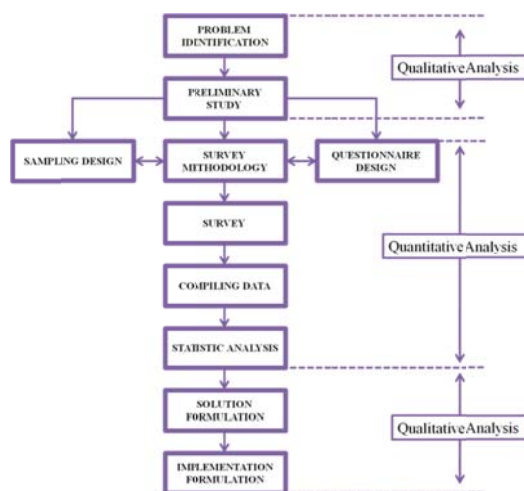


Figure 3. Methodology

Second activity is preliminary study that intended to collect literatures that support this final project, so there will be solutions for the root cause. The preliminary study also intended to formulate the variables that can affect the root cause and make a research model out of it.

Third activity is primary data collection, which consists of designing samples from the population of the research object, which is BPK auditors across Indonesia, which consists of 2946 auditors per 31

December 2012 (BPK RI, 2013). Construct questionnaire that uses Likert type scale. Riduwan and Kuncoro (2008: 20) states that "*Likert Scale used to measure attitudes, opinions, and perceptions of a person or group of people about the social phenomenon*". The last is designing survey method. After that, survey will be held and proceed with compiling data. Fourth activity is statistic analysis that will be divided into three kinds of analysis; they are univariate analysis, bivariate analysis, and multivariate analysis using path analysis.

Fifth activity is solution formulation that intended to formulate solutions for the root cause. The solutions are generated from the result of statistic analysis, the literature and the expert opinion, which is come from HR Bureau. The mixture of those three elements is expected to generate applicable and right solutions.

Sixth activity is implementation formulation that intended to translate the solutions into specific actions. The implementations are designed in timeline action plan, so the organization can easily execute the plan and make the evaluation of the action plan.

c. Research Model

Based on the problem formulation and the conceptual framework, the research model is developed for further analysis. The research model is shown in Figure 4.

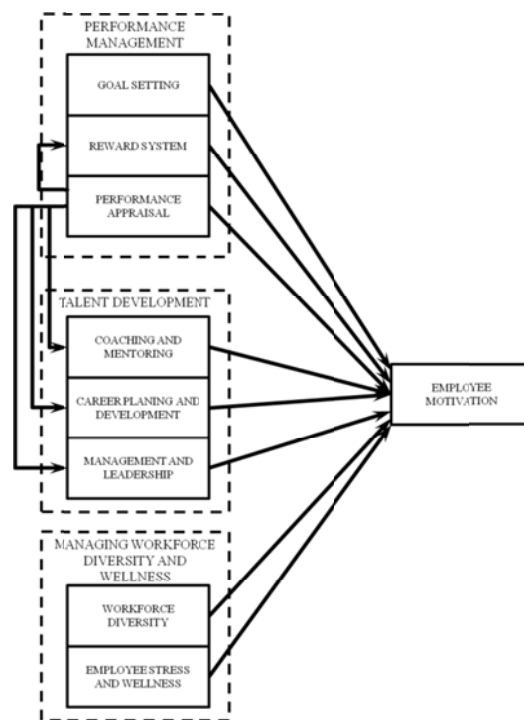


Figure 4. Research Model

The hypotheses that can be formulated from the research model are:

1. Goal setting has a significant impact on employee motivation.
2. Reward system has a significant impact on employee motivation.
3. Performance appraisal has a significant impact on employee motivation.
4. Performance appraisal significantly affects the reward systems.
5. Performance appraisal significantly affects the coaching and mentoring.

6. Performance appraisal significantly affects the career planning and development integration.
7. Performance appraisal significantly affects the management and leadership.
8. Coaching and mentoring has a significant impact on employee motivation.
9. Career planning and development intervention has a significant impact on employee motivation.
10. Management and leadership have a significant impact on employee motivation.
11. Workforce diversity intervention has a significant impact on employee motivation.
12. Employee stress and wellness intervention has a significant impact on employee motivation.

3. Business Solution

a. Statistic Analysis

The comprehensive analysis of the issue in this final project will be done by mixing the analysis on existing condition in BPK with the analysis of factors that can significantly influence motivation. The existing condition in BPK will give description about what HR system that needs to be fixed and the influencing factors can give insight on what action that can influence motivation with the largest effect.

The descriptive analysis on existing condition shows that several variables are in "Good" condition and most of the variables are in "Adequate" condition. The priority for improvement will be given to the variable with smallest score with "Adequate" condition and next larger score; they are coaching and mentoring, performance appraisal, career planning and development, employee stress and wellness, management and leadership development, and reward system in BPK.

The path analysis result shows that each HR interventions variables' path coefficient which affect motivation variable at the end of the arrow. The path analysis shows that there are variables that significantly influence auditors' motivation in BPK (Y), they are performance appraisal interventions (X_3) which have 40.96% effect on employee motivation, coaching and mentoring interventions (X_4) which have 6.45% effect on employee motivation, management and leadership intervention (X_6) which have 4.43% effect on employee motivation, reward system intervention (X_2) which have 2.30% effect on employee motivation, and career planning and development interventions (X_5) which have 4.05% effect on employee motivation. The other HR interventions, such as goal setting (X_1), workforce diversity (X_7) and stress and wellness (X_8) interventions are not significantly influence the auditors' motivation in BPK.

b. Solutions

Based on the analysis above, it can be inferred that in order to increase the organizational effectiveness through employee motivation in BPK, the HR intervention that have significant impacts are performance appraisal, coaching and mentoring, management and leadership development, reward system, career planning and development intervention.

1. Performance Appraisal Interventions

Considering the alternative, performance appraisal in BPK cannot adopt just one of the traditional or high-involvement approaches. BPK is bound to certain rules on HR policy that must be complied. So, BPK must mix between traditional and high-involvement approach by emphasizing high-involvement approach. Other consideration is BPK already have MAKIN as performance appraisal tools for auditors. So, the possible actions that can be done is start from evaluating the performance appraisal system, then design/redesign the performance appraisal system, then implement the design, and then evaluate and monitor the system.

After evaluating the existing condition, there are three solutions that can be offered. First, the IT system of MAKIN BPK must be improved in order to make MAKIN as a valid, reliable and helpful management tools. Second, MAKIN BPK should differentiate the raters for two parts of the appraisal. The performance appraisal raters that appraise the work performance should stay the same at current condition, direct supervisor and supervisor above it that rate the employee. The second part, which is the behavior performance, should implement 360° feedback as a method of appraisal. The 360° feedback is believed can reduce errors that come from observation and actual evaluation. 360° feedback involves more raters for rating employees; they are not only supervisors, but also peers, the employee itself, and also subordinate.

Third, raters' training is an important strategy to reduce errors of an appraisal, to make the appraisal more valid and reliable, and in the end to make the management have better judgments for the management decisions' regarding the employees.

2. Coaching and Mentoring Interventions

Since there are no clear and official coaching and mentoring program in BPK, then the proposed implementation on coaching and mentoring intervention will be based on the suggested implementation stages (Cummings and Worley, 2009: 452 – 453):

- a) Establish the principles of relationship. This stage means that BPK must build ground rules on the criteria that need coaching or mentoring intervention, when will the intervention begin and end, and other detailed rules that support the intervention.
- b) Conduct an assessment. The needs of the assessment are depend on the criteria that will be stated on the ground rules. The needs of the assessment for an employee can be seen from the performance appraisal of that employee.
- c) Debrief the result. The HR management must tell the employees the result of the assessment to the employees personally, whether coaching or mentoring method that suits the employee.
- d) Develop an action plan. First, the employee gets to choose the right mentor or coach so the relationship can be build. Second, together with their coach or mentor, the employees develop an action plan in order to improve their performance.
- e) Implement the action plan.
- f) Assess the result. Based on the evaluation, the action plan can be revised or even can be terminated.

In order to attract the employees to become coach or mentor, the HR management can add job for coaching or mentoring as adding value to their performance appraisal, so the coach or the mentor are also rewarded by this program.

3. Management and Leadership Development Interventions

BPK has implemented the management and leadership development at this time. The management and leadership development condition in BPK has not really follow the exact process of needs assessment, setting instructional objectives and design, delivery, and evaluation.

The needs assessment consists of three assessments, the strategy assessment, organization assessment, and individual assessment. The strategy and organization assessment should be integrated with strategic planning, while the individual assessment should be integrated with performance appraisal (Cummings and Worley, 2009: 466 – 467).

The second process, which is develop objectives and design training, is actually has been done by the HR bureau and BPK Training Center. The third process, which is deliver the training to the individuals chosen or applied can be done by BPK Training Center or if use expert trainer. The fourth process is HR Bureau and BPK Training Center should evaluate the training whether it meet the training's objectives.

4. Reward System Interventions

Taking the considerations of the rewards system in BPK is tight-regulated and the pay for performance is proven can improve BPK auditor's motivation into account and knowing that

the best performance-based pay systems is the group and organization bonus plan that are based on objective measurement and individual salary-increase plans then the rewards system intervention for BPK can be designed. The performance-based pay that suits BPK is where the performance of individual that assessed with MAKIN and the performance of the group on every audit assignment are considered as performance grades that can affect the rewards individually.

After the performance grades that consist of individual performance and group performance are available, and then the rewards for top performers are given raise in their remuneration, while the low performers are given no raise in their remuneration. The percentage of the raise are depend on the budget and can be researched to obtain optimal employee motivation improvements.

5. Career Planning and Development Interventions

Based on the evaluation on existing HR system in BPK, BPK can only adopt three kinds of career development interventions; they are realistic job preview, consultative roles, and performance management. The other career development interventions that can't be adopted are already implemented on BPK or not applicable due to certain rules.

Realistic job preview and consultative roles interventions are actually can be done by creating a single program in BPK. BPK can create career counseling program, where the counselor can come from senior employees who have reach maintenance and withdrawal stage. The counselor are hoped to transfer their knowledge on audit and organization to the younger with their wisdom, while The younger employees can grasp their knowledge and received realistic job preview and extra knowledge.

The performance management intervention in career development is putting more emphasize to the feedback for employees that can describe their career condition and what lies ahead. The managers are responsible for reviewing the employees' performance and give feedback on their career developments. So, the HR bureau can follow up the feedback and make HR decision by considering the feedback.

4. Implementation Plan

The implementation plan from the solutions will be break down into specific action on each intervention improvements or designing new interventions. The proposed implementations are:

1. Policy Formulation

The policy formulation consists of several policies that need to be improved; they are raters in MAKIN, ICT usage in MAKIN, raters training, integrate performance appraisal with career planning and development through feedback for employee, tying reward with performance appraisal, and conducting needs assessment for management and leadership development. The sub programs for the policy formulation are:

- a) Formulate the policy
- b) Socializing the policy
- c) Policy implementation

The time given for this implementation program is seven months, from May to November 2013.

2. IT System Database Development for MAKIN

The sub programs for the IT system development are:

- a) Formulate the conceptual framework
- b) Design
- c) Piloting
- d) System implementation

The time given for this implementation program is five months, from July to November 2013.

3. Training for Raters

The sub programs for the raters' training are:

- a) Plan the Curriculum and the Training Method
 - b) Integrate the Training with Auditors' Role Training
- The time given for this implementation program is four months, from July to October 2013.
4. Career Counseling Program
- The sub programs for the career counseling program are:
- a) Establish Ground Rules and Method Design
 - b) Program implementation
- The time given for this implementation program is four months, from May to August 2013.
5. Coaching and Mentoring Programs
- The sub programs for the coaching and mentoring program are:
- a) Establish Ground Rules and Method Design
 - b) Piloting
 - c) Program implementation
- The time given for this implementation program is six months, from May to September 2013 and November 2013.
- The budget for the whole implementation plan is estimated at IDR 1,907,500,000.00.

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